

Message Text

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ACTION STR-06

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 SSO-00 NSCE-00
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O 171938Z JAN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 4321
INFO ALL EC CAPITALS
USMISSION GENEVA

CONFIDENTIAL SECTION 01 OF 02 BRUSSELS 00994

USEEC

DEPT PASS STR ELECTRONICALLY FOR AMB STRAUSS. GENEVA
FOR MTN

E.O. 11652: GDS
TAGS: MTN
SUBJECT: MTN: EC COUNCIL DISCUSSION

1. HAVERKAMP CALLED ME IN AT 6:30 JAN 17, GAVE ME A DRINK, AND A "DEAR BOB" LETTER. HE WAS IN AN EXUBERANT MOOD, SAYING IT HAD BEEN A GOOD DAY EXCEPT FOR BREAKFAST WITH THE FRENCH WHICH HAD BEEN DIFFICULT. THE COUNCIL HAD DONE ESSENTIALLY THE RIGHT THING ON YUGOSLAVIA, CYPRUS, AND MTN, ALL OF WHICH HAD BEEN HIS AGENDA ITEMS. ON THE MTN HE HAD HIGH PRAISE FOR THE DANISH PRESIDENCY AND FOR HELP PROVIDED BY MEMBER STATE MINISTERS IN PRESSURING THE FRENCH. HE SAID SIR ROY DENMAN WOULD GIVE ME TOMORROW THE COMPLETE TEXT OF THE COUNCIL DECISION.

2. IT STRIKES ME THAT THERE MAY BE A GARBLE IN THE SIXTH PARAGRAPH OF THE HAVERKAMP LETTER BUT I DECIDED TO LEAVE WELL ENOUGH ALONE TONIGHT AND WILL PURSUE THAT POINT AND OTHER QUESTIONS WITH DENMAN TOMORROW. IF WASHINGTON HAS CONFIDENTIAL

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QUERIES, I WOULD APPRECIATE HAVING THEM ASAP.

3. BEGIN TEXT. DEAR BOB,

THE FOREIGN AFFAIRS COUNCIL HAS JUST FINISHED ITS DISCUSSION OF THE MTN'S AND I HAVE COME OUT OF THE MEETING TO SEND YOU THIS BRIEF ACCOUNT OF THE CONCLUSIONS.

I AM GLAD TO SAY THAT THERE WAS UNANIMOUS AGREEMENT TO START THE FINAL PHASE OF THESE NEGOTIATIONS WITH STRESS LAID ON THE ESSENTIAL NEED FOR PARALLEL PROGRESS IN THE VARIOUS SECTORS AND A CLEAR DETERMINATION THAT THE NEGOTIATIONS SHOULD SUCCEED. BUT ON THE DEPTH OF THE TARIFF CUT WE FACED SOME REAL PROBLEMS. OUR FRENCH FRIENDS HAVE AN ELECTION ON THEIR HANDS. AND WHILE IT IS PERFECTLY CLEAR THAT FORTY PERCENT SPREAD OVER EIGHT YEARS IS NOT AN INTOLERABLE BURDEN THIS IS DIFFICULT TO PUT ACROSS IN AN ELECTION CONTEXT.

SO WHAT WE HAD TO DO WAS TO FIND A FORMULA WHICH WOULD PRESERVE THE ESSENTIAL - A TARIFF OFFER ON THE SCALE WE HAVE ENVISAGED BETWEEN US - WHILE TRYING TO SOFTEN THE PSYCHOLOGICAL IMPACT OF FORTY PERCENT.

THIS WE HAVE AFTER LONG DISCUSSION MANAGED TO DO. THE COMMUNITY HAS AGREED TO START WITH AN OFFER WITHOUT EXCEPTIONS ON THE BASIS OF FORTY PERCENT - EXPRESSED TACTFULLY IN OUR LANGUAGE AS THE APPLICATION OF THE SWISS FORMULA WITH A COEFFICIENT OF SIXTEEN.

TWO QUALIFICATIONS IN PARTICULAR WERE MADE. THE FIRST WAS THAT WE SHALL NEED TO EXAMINE HOW FAR WE CAN MAINTAIN OUR OFFER IN THE LIGHT OF THE RECIPROCITY AVAILABLE FROM

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OTHERS. TO THE EXTENT THAT WE NEED TO ADJUST OUR OWN OFFER IN THE LIGHT OF OUR QUALITATIVE EVALUATION OF OTHER OFFERS WE DO NOT INTEND TO COMPENSATE FOR THESE ADJUSTMENTS BY GREATER THAN FORMULA REDUCTIONS. BUT WE HOPE THAT THE OFFER YOU AND OTHERS WILL MAKE WILL BE SUCH THAT SUCH ACTION ON OUR PART WILL BE LIMITED.

THE SECOND - TO MEET OUR FRENCH COLLEAGUES - WAS AN ENTRY IN THE COUNCIL MINUTES TO THE EFFECT THAT - THE COUNCIL CONSIDERS THAT IN THE LIGHT OF PREVIOUS EXPERIENCE, PRACTICABLE EXCEPTIONS, AND THE RESULTS OF NEGOTIATIONS IN THE NON TARIFF BARRIER FIELD THE FINAL RESULT - AS FAR AS THE COMMON TARIFF IS CONCERNED WILL BE SITUATED IN A BAND THE UPPER LIMIT WHICH WILL NOT EXCEED THIRTY FIVE PERCENT. BUT ALL THIS IS WITHOUT PREJUDICE TO THE OFFER OF FORTY PERCENT WHICH WE HAVE DECIDED TO MAKE AND LEAVES IN EFFECT A LOT TO PLAY FOR IN THE NEGOTIATIONS.

I SHOULD ADD THAT FOR OBVIOUS INTERNAL AND PRESENTATIONAL REASONS SEVERAL MEMBER STATES STRESSED THE IMPORTANCE OF THE BREAK CLAUSE AND THE COUNCIL THEREFORE DECIDED THAT IN DUE COURSE IT WOULD EXAMINE THE GENERAL ECONOMIC SITUATION

TO SEE WHETHER THE CONDITIONS FOR THE TRANSITION TO THE
SECOND STAGE WERE MET.

SO I THINK THAT IN A VERY DIFFICULT SITUATION WE HAVE
MANAGED TO GET AGREEMENT IN THE COUNCIL ON THE ESSENTIALS
- THAT WE START NOW THE FINAL PHASE OF THE NEGOTIATIONS
AND THAT WE MAKE AN OFFER OF FORTY PERCENT. AND THIS
SHOULD ENABLE US TO MOVE AHEAD ACROSS THE BOARD IN THESE
NEGOTIATIONS AS WE HOPED, RATHER ADVENTUROUSLY LAST JULY,

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 00994

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MTN

MIGHT BE POSSIBLE.

I LOOK FORWARD TO SEEING YOU IN GENEVA ON JANUARY 23.

WARMEST REGARDS,

YOURS WILLI

BRUSSELS, 17 I 1978
L830 H END TEXT. HINTON

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